



## Comments on Staff White Paper “California Customer Choice: An Evaluation of Regulatory Framework Options for an Evolving Electricity Market”

June 11, 2018

### **Introduction**

Sonoma Clean Power Authority (SCP) provides the following informal comments on the California Public Utilities Commission (CPUC) staff white paper titled “*California Customer Choice: An Evaluation of Regulatory Framework Options for an Evolving Electricity Market*” (Draft White Paper). The Draft White Paper was issued on May 3, 2018, following a CPUC *en banc* hearing held on May 19, 2017. The Draft White Paper provides an overview of retail choice models in four different markets and poses a variety of questions aimed at stimulating stakeholder feedback. The central question contained in the Draft White Paper is: how will departing load impact California’s ability to achieve affordable decarbonization while maintaining reliability?

### **Background**

Launched in 2014, SCP operates a Community Choice Aggregation (CCA) programs serving approximately 600,000 customers in Sonoma and Mendocino counties. SCP is a not-for-profit public agency established under the California Public Utilities Code, independently run by the participating cities of Cloverdale, Cotati, Fort Bragg, Petaluma, Point Arena, Rohnert Park, Santa Rosa, Sebastopol, Sonoma, Willits, Windsor, and the two participating counties. SCP’s goal is to lower community-wide greenhouse gas (GHG) emissions while providing customers with stable and competitive electric rates and supporting local economic development.

A third-party audit comparing SCP’s 2016 emissions with those of Pacific Gas and Electric Company (PG&E) found that SCP’s portfolio is approximately one-third as GHG intensive (97.76 lbs/MWh vs. PG&E’s 293.67lbs/MWh).<sup>1</sup> Since SCP’s launch in 2014, SCP has generated over \$80 million in savings to customers through reduced rates. These significant improvements to decarbonization and affordability in just four years highlight the potential that CCA programs have to contribute to state-wide goals.

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<sup>1</sup> Source: The Climate Registry, 2016 Emission Rates. Available online at: <https://www.theclimateregistry.org/our-members/cris-public-reports/>

## **Response to the Draft White Paper**

CPUC staff are right to consider the “best way for a fair, affordable and durable transition.”<sup>2</sup> We are amidst a significant shift in markets and technologies that has the potential to offer great opportunities. The CPUC is right to open a dialogue to ensure that this transition brings that maximum amount of benefits. To be most effective, that dialogue must use precise language and not conflate customer generation, direct access, and CCA. While all may be forms of departing load from the traditional investor-owned utility (IOU) perspective, they fundamentally differ in business models, governance and oversight, target customers, technologies used, etc. This indicates that the role these various forms of departing load plays in California’s future should be differentiated as well.

SCP supports the three stated pillars of energy policy (affordability, decarbonization, and reliability) as appropriate. In general, targets for reliability and decarbonization should be set by the State, with load-serving entities (LSEs) then “solving” for affordability unless they elect to go above and beyond State targets for reliability/decarbonization. Given low energy prices and deteriorating economics of gas-fired generation resources, coupled with an apparent decline of capacity available in the market, SCP will focus the remainder of these comments on reliability.

SCP agrees that “If each LSE holds a fragmented responsibility, then sufficient enforcement tools must be in place to ensure everyone complies with the standards.”<sup>3</sup> This is needed to safeguard the grid. However, it is critical to draw a distinction between the role of centralized planning and centralized procurement. The CPUC and other agencies should set clear targets to meet the pillars of decarbonization and reliability, then harness market forces and creativity to meet those targets. All LSEs should report their progress towards and achievement of State mandates to inform the centralized planning process. Existing reporting frameworks for Resource Adequacy (RA), Integrated Resource Planning, Renewables Portfolio Standard, Power Source Disclosure, etc., are appropriate for this.

If any deficiency is found, LSEs should be notified so that they may address their portion of a collective deficiency, either bilaterally or through joint procurement. LSEs that are unable or unwilling to remedy a deficiency would be subjected to the costs and credits of capacity procured via centralized procurement. In the case that a single entity is used to procure on behalf of others, SCP recommends that a public entity and/or non-profit entity be used for this purpose. This will likely reduce capital costs, and alleviate the need to provide additional returns to shareholders at the cost of ratepayers.

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<sup>2</sup> Draft White Paper, p. iii.

<sup>3</sup> Draft White Paper, p. 56.

SCP is actively engaged in the RA proceeding and is developing testimony to inform future policy. SCP believes that the RA proceeding is the appropriate Commission-defined venue to address reliability needs, and SCP will not repeat the entirety of its recommendations here. However, SCP is supportive of longer-term RA requirements as a means to provide certainty to generators, LSEs, and customers during this time of transition to a more fully disaggregated market. The RA proceeding also benefits from participation by the California Independent System Operator (CAISO) – the entity charged with operating a reliable grid.

This Draft White Paper would also benefit from robust input from the CAISO to develop policies that work for all market participants. SCP understands that the CAISO is actively evaluating amendments to RA. It is unclear to what extent any findings from evaluation are informing the reliability concerns raised in the Draft White Paper. This highlights the coordination challenges inherent in having two entities involved in reliability planning. Nevertheless, input from the CAISO on reliability-related matters is essential.

On reliability matters, SCP recommends that the planning and identification of CAISO-wide reliability requirements more fully rest with the CAISO. The detailed allocation of those requirements to each LSE would continue to follow a protocol similar to today, namely, an allocation process administered by the CPUC for its jurisdictional LSEs. The CAISO's long-term analytic planning function, day-ahead and real-time operational functions, and determination of any shortfalls (which is increasingly resulting in expensive reliability must-run designations) put the CAISO in a strategic position to serve this role. However, SCP notes that recent Federal policies are directly contrary to many of California's decarbonization policies, and threaten to undermine much of the progress we have collectively made towards affordable decarbonization. Because of this threat, fully conferring central planning of reliability on the CAISO should only be done in a manner that ensures California's autonomy over of procurement within a future or expanded independent system operator construct.

Respectfully yours,

A handwritten signature in blue ink, appearing to read "Geof Syphers".

Geof Syphers, CEO  
Sonoma Clean Power Authority